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Cotton and Products

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Report Highlights:
Post's 2003/04 cotton production estimate has been revised higher to 16.0 million bales (170 kg) on improved yield prospects. Imports have been lowered to 1.2 million bales.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
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SECTION I: SITUATION AND OUTLOOK

Note: All figures in the text are in 170 kg bales unless otherwise stated.

2003/04 Production Estimate Raised on Expected Higher Yields

Post's estimate of 2003/04 cotton production has been revised higher to 16.0 million bales on improved yield prospects due to favorable growing conditions, lower incidence of pests, and higher area under improved cotton varieties (including Bt cotton). Early trade estimates for the crop are being placed at 16.2 to 17.5 million bales. However, it has been observed in past years that the trade sources tend to be over-optimistic at the beginning of a new season. Market sources expect that the quality of cotton this season will be better than the last year's drought-affected crop.

Except for the small summer cotton crop in south, which is sown in November and December, sowing has been completed in all cotton producing regions, and the crop is progressing well under excellent weather conditions. Most cotton growing areas have received sufficient but scattered rains, interspersed with bright sunshine, which have been very beneficial for the crop. The crop is at flowering and boll formation stage in the northern (Punjab/Haryana/Rajasthan) and central (Gujarat/Maharashtra/Madhya Pradesh) regions. Market sources report plants have 20-25 percent higher flowering and boll formation than in previous years. The crop is at vegetative growth and early flowering stage in the southern region (Andhra Pradesh/Karnataka/Tamil Nadu).

Farmers and trade sources report higher usage of hybrid cotton varieties (35-40 percent vs. 20 percent last year) in the north; these have higher yields compared to the traditional varieties. Preliminary estimates indicate that the area under officially approved Bt cotton varieties increased nearly three times to 100,000 hectares in the central and southern regions. However, Post's field travel through Gujarat in mid-September indicated that a considerably larger cotton area was planted with 'illegal' Bt cotton varieties (Bt hybrid varieties developed by local seed companies illegally). Reports also indicate some 'illegal' planting of Bt cotton in the north, despite there being no Bt cotton variety officially approved for the region.

At this stage, the pest incidence is also reported lower than in previous years (except for last year when pest incidence was low due to drought). Although incidence of heliothis and white fly have been reported in the north and in Gujarat, usage of Bt cotton varieties and higher potency of pesticides due to clear weather conditions have prevented larger outbreaks till now. Consequently, crop damage due to pest incidence is likely to be lower during the current season compared to previous years (except last year), if there is no abnormal resurgence of pest from now onwards.

The above mentioned factors together have improved the cotton yield prospects for the 2003/04 cotton crop, now estimated at 16.0 million bales, including 1.1 million bales of loose cotton (see Table 3).

Market Prices Firm on Low Stocks

Market prices firmed up considerably in August/September (see Table 4) as cotton stocks of the drought affected 2002/03 crops fell to abnormally low levels. Mills could not get relief by importing cheaper cotton, as international cotton prices are currently very firm. Market arrivals of the new crop began in mid-September in small quantities, and are expected to gain pace from the first week of October. However, market prices are expected to remain firm through mid-November on high mill demand, as most mills are running short of cotton stocks. Prices will subsequently ease as arrivals gain in other regions, but should closely follow the international price movements.

2003/04 Imports Lowered

Post lowered its estimate for 2003/04 imports to 1.2 million bales on improved domestic production, strong international cotton prices, and the strengthening of the Indian rupee. Although imports will depend on the relative prices of Indian cotton vis-à-vis international quotations, expected affordable prices and better quality of local cotton is expected to contain cotton imports during the forthcoming season. The continued strengthening of Indian rupee has further marred the import prospects. The rupee appreciated from rs. 48.5 = 1 US$ in January, 2003, to the current value of rs. 45.5=1 US$.

SECTION II: STATISTICAL TABLES

Table 1: Commodity, Cotton, PSD Table (metric tons)

PSD Table							
Country:	India						
Commodity:	Cotton	(HECTARES)	(METRIC TONS)				
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		08/2001		08/2002		08/2003	(MONTH/YEAR)
Area Planted	8730000	8730000	7600000	7572000	8500000	8390000	(HECTARES)
Area Harvested	8730000	8730000	7600000	7572000	8500000	8390000	(HECTARES)
Beginning Stocks	821482	821482	1020702	1020702	726771	726771	METRIC TONS
Production	2678037	2678037	2307901	2307901	2612719	2720000	METRIC TONS
Imports	424567	424567	304817	304817	359249	204000	METRIC TONS
TOTAL SUPPLY	3924086	3924086	3633420	3633420	3698739	3650771	METRIC TONS
Exports	13064	13064	10886	10886	10886	17000	METRIC TONS
USE Dom. Consumption	2686320	2686320	2691763	2691763	2735309	2735300	METRIC TONS
Loss Dom. Consumption	204000	204000	204000	204000	204000	204000	METRIC TONS
TOTAL Dom. Consumption	2890320	2890320	2895763	2895763	2939309	2939300	METRIC TONS
Ending Stocks	1020702	1020702	726771	726771	748544	694471	METRIC TONS
TOTAL DISTRIBUTION	3924086	3924086	3633420	3633420	3698739	3650771	METRIC TONS

Note: Production figures for MY 2001, 2002, 2003 include 1.0 million bales (170 kgs), 1.15 million bales and 1.1 million bales of loose cotton respectively.

Table 2: Commodity, Cotton, PSD Table (480 bales)

PSD Table							
Country:	India				Conversion	0.004593	
Commodity:	Cotton						
		2001		2002		2003	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		08/2001		08/2002		08/2003	(MONTH/YEAR)
Area Planted	8730000	8730000	7600000	7572000	8500000	8390000	(HECTARES)
Area Harvested	8730000	8730000	7600000	7572000	8500000	8390000	(HECTARES)
Beginning Stocks	3773	3773	4688	4688	3338	3338	1,000 480lb bales
Production	12300	12300	10600	10600	12000	12493	1,000 480lb bales
Imports	1950	1950	1400	1400	1650	937	1,000 480lb bales
TOTAL SUPPLY	18023	18023	16688	16688	16988	16768	1,000 480lb bales
Exports	60	60	50	50	50	78	1,000 480lb bales
USE Dom. Consumption	12338	12338	12363	12363	12563	12563	1,000 480lb bales
Loss Dom. Consumption	937	937	937	937	937	937	1,000 480lb bales
TOTAL Dom. Consumption	13275	13275	13300	13300	13500	13500	1,000 480lb bales
Ending Stocks	4688	4688	3338	3338	3438	3190	1,000 480lb bales
TOTAL DISTRIBUTION	18023	18023	16688	16688	16988	16768	1,000 480lb bales

Note: Production figures for MY 2001, 2002, 2003 include 1.0 million bales (170 kgs), 1.15 million bales and 1.1 million bales of loose cotton respectively.

Table 3: Area, Production & Yield of Cotton in Major States
(AREA THA, PRODUCTION THOUSAND BALES OF 170 KGS, YIELD KGS/HA)

									Revised
STATE		1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	2003/04
Maharashtra	Area	3085	3139	3199	3254	3077	2980	2799	2800
	Production	3300	2150	2650	3650	2050	3425	2400	3000
	Yield	182	116	141	191	113	195	146	182
Gujarat	Area	1484	1519	1607	1516	1615	1687	1498	1700
	Production	3425	4200	4750	2850	2400	3250	3050	3700
	Yield	392	470	502	320	253	328	346	370
M.P.	Area	527	517	501	525	506	623	550	620
	Production	1875	2250	1875	1550	1750	2000	1800	1800
	Yield	605	740	636	502	588	546	556	494
Punjab	Area	742	727	562	475	474	600	425	590
	Production	1600	725	500	800	900	925	800	1050
	Yield	367	170	151	286	323	262	320	303
Haryana	Area	649	638	582	546	555	610	535	560
	Production	1350	900	700	1050	1000	550	850	1000
	Yield	354	240	204	327	306	153	270	304
Rajasthan	Area	654	645	645	583	510	347	335	290
	Production	1400	1100	1150	1300	1050	700	450	500
	Yield	364	290	303	379	350	343	228	293
A.P.	Area	1007	898	1278	1040	1022	1002	900	1000
	Production	2650	2550	2500	2200	2500	2675	2000	2600
	Yield	447	483	333	360	416	454	378	442
Karnataka	Area	668	518	608	600	560	591	362	520
	Production	900	750	875	800	800	700	600	600
	Yield	229	246	245	227	243	201	282	196
Tamil Nadu	Area	260	247	243	185	193	200	115	240
	Production	550	500	550	550	550	500	400	550
	Yield	360	344	385	505	484	425	591	390
Others	Area	46	56	62	67	64	90	53	70
	Production	100	100	125	150	100	75	100	100
	Yield	370	304	343	381	266	142	321	243
All-India	Area	9122	8904	9287	8791	8576	8730	7572	8390
	Production	17150	15225	15675	14900	13100	14800	12450	14900
	Yield	320	291	287	288	260	288	280	302

Note: Production figures for 1996/97 - 2003/04 in the PS&D includes loose cotton estimates.

Table 4: Month End Spot Prices of Popular Varieties (in rs./mt)

Year	Bengal	S.G.J.	H-4	Shankar-6	MCU-5	DCH-32
	Deshi	F-34	M.P.	Gujarat	A.P.	South
2001/02						
Aug	34590	51460	52580	54830	66080	88000
Sept	36560	46960	52300	54830	64680	87160
Oct	38240	40490	44990	46400	59050	77330
Nov	39650	39370	41340	44710	54830	73110
Dec	35710	37120	41340	44430	53430	71140
Jan	36560	36840	40210	43300	48370	70300
Feb	36560	36270	38810	41620	47800	66080
Mar	37960	36560	39650	44150	50620	70300
Apr	38520	39930	42180	44990	52020	73120
May	39650	39650	42180	44430	50050	71710
Jun	41340	42180	44990	49210	54270	76760
Jul	41340	44150	50050	52580	57370	77330
2002/03						
Aug	39930	41060	49210	51740	61580	81830
Sept	38520	40490	47800	50050	59610	77330
Oct	41620	43330	48930	50620	63270	78740
Nov	41060	46680	49770	52020	63270	80980
Dec	36840	46400	49490	52870	64680	83800
Jan	34590	46400	50620	53990	64680	82950
Feb	38810	52300	56240	59050	65520	88280
Mar	38240	55680	58210	61860	67490	87720
Apr	41620	59050	61020	63560	68330	87160
May	40490	58210	59050	61860	69740	88000
Jun	40770	59050	60740	63000	70300	88560
Jul	41060	61020	62710	63560	71710	91360
2003/04						
Aug	39090	60460	61580	63540	68900	87560
Sept	37970	59060	63820	65220	70300	87180

Source: East India Cotton Association, Mumbai.